BRITISH COLUMBIA

BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 07-12 March 23rd, 2007

- **Inflation rate remains at 2.2% in February**
- **Retail sales climb 1.5% in January; sales by wholesalers up 2.0%**
- **Visitor entries rise in January as Americans make more overnight trips to BC**

Prices

- **British Columbia's year-over-year inflation rate was 2.2% in February, unchanged from the increase in the all-items Consumer Price Index (CPI) posted in the previous month.** Consumers, who had enjoyed a brief respite from soaring energy costs near the end of last year, faced a relatively big jump (+4.0%) in the cost of oil, gas and other energy products for the third month in a row. Energy was by no means the only inflationary factor, as prices for a variety of other consumer goods and services were also well above 2006 levels. Excluding energy, the inflation rate was 2.0%, only slightly less than the overall inflation rate.

  The cost of food jumped (+3.7%) in February, especially that purchased from stores (+4.2%). January's cooler temperatures affected February harvests on the American West Coast and pushed up prices for fresh fruit (+13.4%) and vegetables (+15.4%).

  Energy prices helped drive transportation costs up 3.0%, as owners paid more to operate their vehicles (+5.6%), largely because it cost them 7.4% more to fill up their tanks. Parts and maintenance costs (+3.9%), and insurance premiums (+5.0%) also helped drive up the cost of operating a vehicle. Long-distance travel cost consumers 2.8% more than in February 2006, but prices for local and commuter transportation were virtually unchanged from a year earlier.

  Although fuel oil (+6.1%) took a bigger bite out of the household budget, the cost of piped gas continued to decline (-8.2%), and the overall increase in utility prices was just 1.2%. Homeowners paid 2.8% more for accommodation, partly due to higher insurance premiums (+6.2%), while renters faced a much smaller increase (+0.7%).

  BC residents paid more for clothing (+3.0%) and education services (+2.1%) and the cost of health & personal care (+2.3%) was also slightly higher than in February 2006. In general, consumers paid more for non-durable goods (+3.5%) and services (+2.6%), while prices for durables (-1.1%) dropped.

  Vancouver's inflation rate was 2.8%, while prices increased 1.8% in Victoria.

  Data Source: Statistics Canada

- **The national inflation rate jumped to 2.0% (a 0.8 percentage point increase) in February, fuelled by rising costs for gasoline, food and owned accommodation.** Among the provinces, inflation rates ranged from 0.9% in New Brunswick to 4.9% in Alberta, which stands out from the other provinces with an inflation rate more than double the national average. Although energy prices have been a factor in Alberta's sky-high inflation, soaring housing costs are a more significant influence, with replacement and insurance costs increasing more than 35% since February 2006, pushing the cost of shelter up 13.7% in that province. Price increases for other goods and services were more in line with what was seen in the rest of Canada.

  Alberta, BC and Manitoba (+2.1%) were the only provinces where inflation rates exceeded the national average. *Data Source: Statistics Canada*

The Economy

- **Sales by retailers in the province climbed 1.5% (*seasonally adjusted*) in January.** Retailers of furniture, household furnishings & electronics led the growth, as sales bounced back after two months of decline. In the automotive sector, gas stations and new and used car dealers posted solid gains. Clothing and general merchandise stores also had a good month in January, but other retailers did not fare as well.

Report Exports Year in Review: 2006

Did you know...
85% of Canadians are concerned about climate change and 56% rate the overall quality of the environment in their province as good. *Source: Ipsos Canada*

Despite widespread gains in most sectors, national sales were down 0.2% largely because automotive retailers saw sales slow down. Car dealers in Ontario were particularly hard hit by the downturn, and total retail sales in that province were off 2.1%. Cash registers in New Brunswick rang in 1.1% less than in January, but in the rest of the country, sales increased at rates ranging from 0.2% in Newfoundland & Labrador to 1.7% in Saskatchewan.

Data Source: Statistics Canada & BC Stats

- **Wholesale sales in BC rose 2.0% (*seasonally adjusted*) in January, on the heels of a similar increase in December (+1.8%).** Wholesalers of building supplies posted their first increase since September, and business was brisk for wholesalers of clothing, home & personal products and motor vehicle parts & accessories. Nationally, sales edged down 0.5%, as weakness in Ontario (-3.2%) and Quebec (-0.3%) outweighed higher sales in most other provinces.

Data Source: Statistics Canada & BC Stats

Tourism

- **The number of visitors entering Canada via BC borders continued to increase (+0.9%, *seasonally adjusted*) in January.** Entries from the US, which comprise most of the visits, advanced 1.7% as more Americans took overnight trips (+2.6%) into BC. Same-day travel from the US was virtually unchanged (+0.1%) from December. Travel to BC from overseas countries slipped 1.7% in January, largely due to a 4.4% drop in entries from Asia. Entries from Japan were down for the third month in a row, and travel from other major Asian sources, especially Hong Kong and Taiwan, also fell back. There were fewer entries from Australia, New Zealand & other South Pacific nations (-4.7%), but European entries rebounded (+3.4%).

  Overall travel from the US to Canada inched down (-0.2%) in January, while the number of Canadians returning home from overseas rose 4.8%. *Data Source: Statistics Canada & BC Stats*

Rail Transportation

- **Coal remained by far the leading commodity transported by rail both into and out of the province in 2005.** Coal accounted for 48% of all commodities leaving BC, while lumber, wood chips and pulp were far behind. After coal (34%), prairie wheat was the second most common commodity transported into the province on the railways. Lumber is still by far BC's leading commodity shipped by rail to the US and Mexico, with 5.3 million tonnes heading south in 2005.

  Rising freight volumes pushed overall revenues for the Canadian rail transportation industry up sharply (+10.8% to $9.8 billion) in 2005. More passengers took the train (+5.2% to 4.3 million), but they travelled shorter distances: the average length of a journey fell 1.4% to 346 kilometres.

Data Source: Statistics Canada

Large Urban Transit

- **Perhaps as a result of the ever-increasing cost of owning and operating a vehicle, Canadians continue to take more trips on urban transit systems.** In January, combined ridership on the country's ten largest urban transit systems (accounting for 80% of total urban transit in Canada) was substantially higher (+8.4%) than the same month last year. Approximately 120 million passenger trips were taken on these systems, generating $193 million in revenue, a sharp increase (+11.5%) over January 2006.

Data Source: Statistics Canada

The Nation

- **Canada's composite leading indicator advanced 0.7% (*seasonally adjusted*) in February, surpassing its 0.5% increase at the beginning of the year.** Gains in new orders for durable goods (+1.8%) and increases in the stock price index (+2.0%) led the advance. Nine of the ten indicators in the index were up in February.

Data Source: Statistics Canada

- **Foreign investors reduced their holdings of Canadian securities and bonds in January.** However, Canadian investors continued to invest heavily in foreign stocks and bonds, and increased their holdings of foreign securities for a 24th consecutive month. *Data Source: Statistics Canada*

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March 23rd, 2007

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Issue: 07-12
Mar. 23, 2007

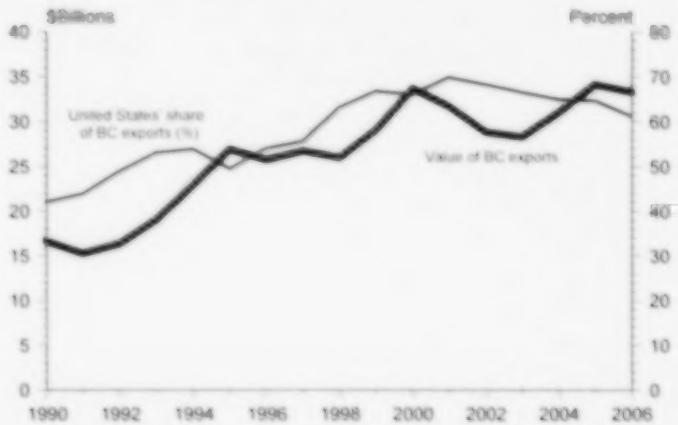
Contact: Dan Schrier (250) 387-0376
Originally published in *Exports* Issue 06-12

Exports Year in Review: 2006

The value of BC origin exports dipped in 2006, slipping 2.3% from 2005. The decline was mainly due to a drop in the value of exports of lumber and energy products and could have been much more severe if not for the boom in demand for metallic mineral products and a significant increase in shipments of machinery and equipment. The shift in emphasis on the types of goods exported from the province has resulted in increased variation in the destination of those goods. The United States is still the destination for almost two-thirds of BC's commodity exports, but the share of goods headed to our neighbour to the south has dipped 3.5 percentage points in the last year, from 64.6% in 2005 to 61.1% in 2006. Asia is taking up most of the slack, particularly Japan, which took in 14.1% of BC's goods exports in 2006 compared to 12.2% a year earlier, as well as China, which saw its share increase from 3.9% to 4.5% and South Korea, which boosted its share from 3.4% to 4.1%.

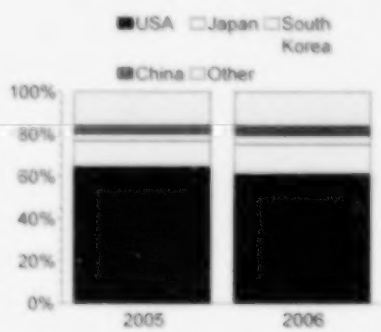
The value of BC origin exports dropped 2.3% in 2006

BC exports fell in 2006 and the share of goods shipped to the United States has dipped as well



Sources: Statistics Canada

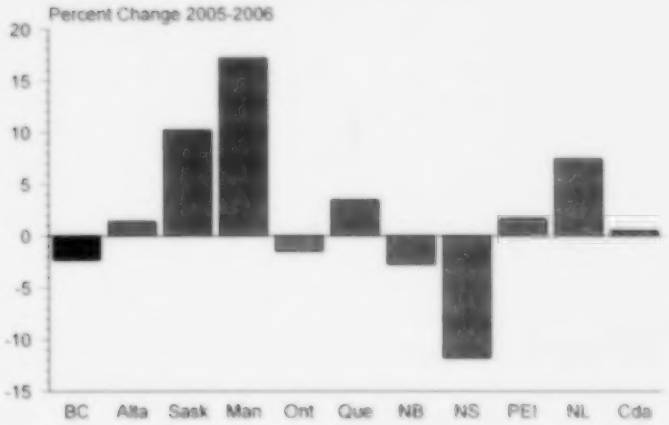
BC's goods exports shifted away from the United States and toward Asia, particularly Japan, China and South Korea



The drop in value of exports from BC was in contrast to a 0.5% rise in overall Canadian commodity exports. The only other provinces to experience a drop in the value of exports were Ontario (-1.5%), New Brunswick (-2.8%) and Nova Scotia (-11.8%). In Ontario, the appreciation of the Canadian dollar was likely the key factor behind a drop in exports of automobiles, machinery and equipment, which was the main driver of the overall decline in Ontario ex-

ports. Nova Scotia's substantial decrease was due to slumping demand and falling prices for natural gas, as well as a drop in exports of fish products. The dip in shipments from New Brunswick was mainly the result of a fall in exports of electricity and oil. Conversely, an increase in the value of shipments of crude petroleum was the driving force behind the export growth in the Prairie Provinces. In Quebec, strong growth in shipments of aluminum, copper and other metallic mineral products helped pave the way toward higher exports in 2006.

BC's exports lagged the Canadian average in terms of growth

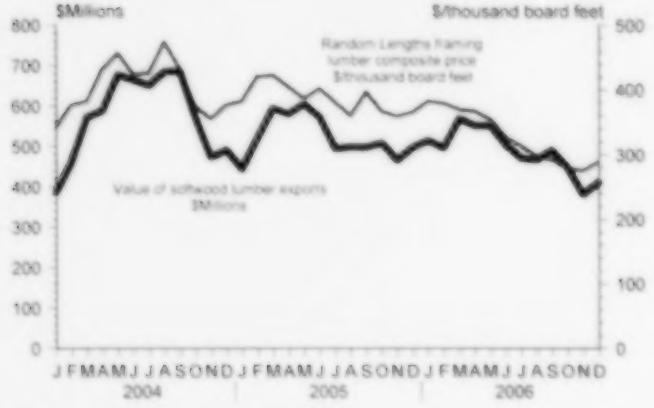


Source: Statistics Canada

Only three provinces experienced weaker growth in exports than BC in 2006

The variation in what was responsible for export increases or decreases in the different provinces demonstrates the diversity of regional economies in Canada. British Columbia's reliance on solid wood products for over a quarter of its exports makes it somewhat vulnerable to downturns in demand for these products.

Softwood lumber exports have been slumping, mainly due to falling prices



Sources: Statistics Canada and Random Lengths

Falling prices for softwood lumber have hurt BC's exports

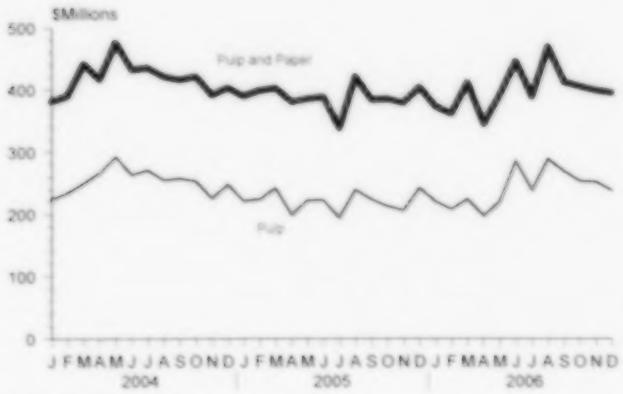
In 2006, the price of softwood lumber fell markedly, dropping almost $80 per thousand board feet over the course of the year. As a result, even though quantities of lumber shipped abroad were only 1.4% lower than a year earlier, the value of those exports declined 6.7%. The good news for BC lumber producers is that the resolution of the softwood lumber dispute with the United States means that they are getting substantial duty refunds, which will help them weather the market downturn. The bad news is that the low prices mean that the export taxes to be paid by Canadian softwood lumber producers under the agreement are at their maximum.

Home builders in the US are looking to diversify the supply of lumber, which could keep prices lower and hurt BC producers

In addition, home builders in the United States are looking to increase competition in the lumber market by luring producers in Sweden and Russia to export more lumber to the US. The National Association of Home Builders expressed disappointment with the softwood lumber agreement, suggesting it would result in higher prices than would be received in a free market and they are looking for other sources of wood to ensure they can get the price they want. If they are successful in attracting imports from these other countries, it seems unlikely that the current prices for softwood lumber will rise anytime soon. The result would be not only a continuance of export taxes to be paid by Canadian producers, but also a possible loss of market share to the likes of Russian and Sweden.

The news was not all bad for forest sector exports in 2006. Shipments of pulp rose 9.2%, more than offsetting declines in paper products, such that overall pulp and paper exports were 2.9% higher than the value recorded in 2005.

Strong growth in exports of pulp have helped boost overall shipments of pulp and paper products

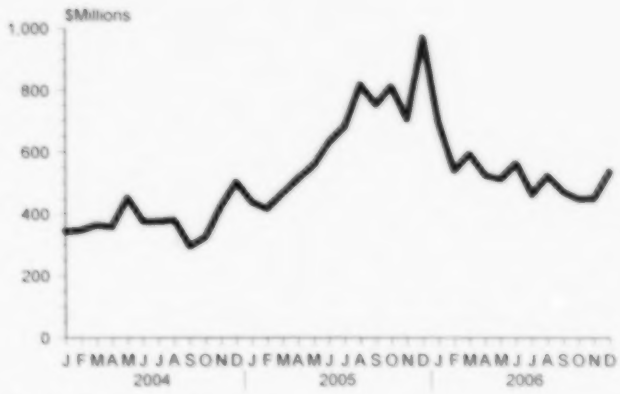


Sources: Statistics Canada

The strong growth in the value of pulp shipments helped offset the drop in exports of paper products

With the exception of pulp products, most of the rest of the forest sector experienced a drop in the value of exports, but declining prices for forest products were not the only factor in an overall dip in BC origin exports in 2006. The other significant contributor was the energy sector, as exports of energy products slumped 18.6% in 2006. Exports of electricity plunged 53.7%, while shipments of natural gas fell 25.5% as both quantities shipped and the price received for the goods declined. Higher prices for coal helped offset some of the decline in demand for the product as coal exports edged down only 4.7%.

BC exports of energy products slipped steadily in 2006 after flying high in 2005



Sources: Statistics Canada

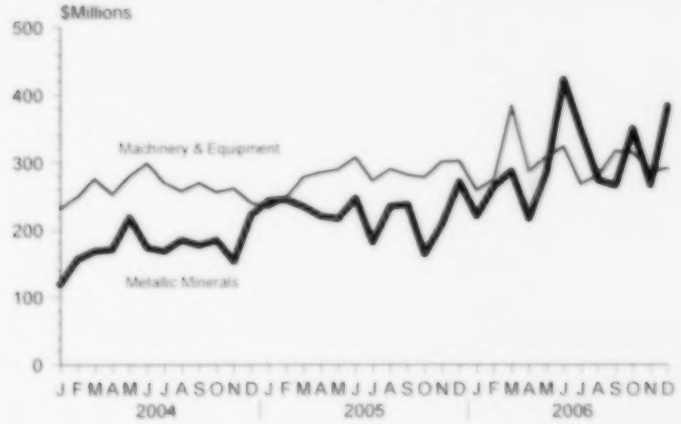
In 2006, energy exports lost most of the ground gained in 2005

With the downturn in the forest and energy sectors, the overall decline in BC origin exports could have been much more severe were it not for the extremely robust growth in shipments of metallic mineral products. In 2006, exports of these goods surged 32.4% as demand from China and elsewhere helped boost the prices of these commodities. Exports of copper ores and concentrates, the most significant metal export from BC, soared 65.9% in 2006, while shipments of unwrought zinc jumped 73.6%. The one exception to the upward trend was molybdenum ores and concentrates, which dropped back 29.3% after hitting record highs in 2005.

Exports of copper ores and concentrates surged 65.9% in 2006

In addition to metallic mineral products, another significant BC export that exhibited strong growth in 2006 was machinery and equipment. Exports of these goods climbed 6.8% in 2006, despite a 1.8% drop in shipments of motor vehicles and parts. Much of the growth was in exports of high technology goods, such as aircraft parts and computers, which indicates that BC's tech sector can continue to compete despite a higher dollar.

A substantial increase in exports of metallic minerals and a healthy rise in shipments of machinery and equipment has partially offset falling exports elsewhere



Sources: Statistics Canada

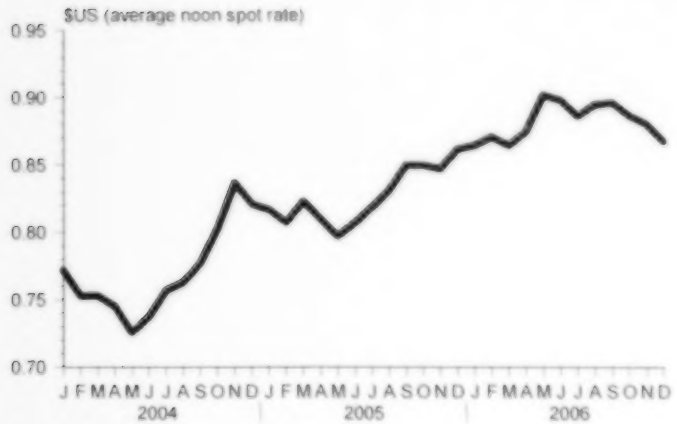
Increased shipments of metallic minerals and machinery and equipment helped offset declines in exports of forest and energy products

China's emergence as a global economic power has been a great boon for BC's mining industry, but China's economy may be starting to cool. This could be good news for manufacturers in Central Canada, which have to compete with lower-cost Chinese producers, but could hurt BC's exports, which are still mainly resource-based. However, as commodity prices fall, it is likely that the Canadian dollar will follow, which should help most exporters. Already, the loonie has contracted somewhat

from the 90 cent territory seen in the summer and if prices for goods such as oil and minerals fall, the dollar may slip further.

While the decline in the value of exports in 206 compared to a year earlier is disappointing, there were certainly some bright spots in BC's export performance. It is difficult to say what 2007 will bring as so much depends on how the economies in the United States, Japan, China and elsewhere fare, and how this economic performance affects not only demand for BC products, but also the prices of those goods.

The Canadian dollar has started to cool off, which could help Canadian exporters



Sources: Bank of Canada

The Canadian dollar has slipped in recent months, which could ease the burden on exporters

Infoline

March 23, 2007
Issue 07-12

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/06	% change on one year ago
BC	4,327.4	1.2
Canada	32,730.2	1.0
GDP and INCOME (Revised Nov 8)		
(BC - at market prices)	2005	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	168,855	7.2
GDP *($ 1997 millions)*	145,501	3.7
GDP *($ 1997 per Capita)*	34,173	2.4
Personal Disposable Income *($ 1997 per Capita)*	20,983	2.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jan	3,470	-0.4
Merchandise Exports - Jan	2,747	-0.4
Retail Sales - Jan	4,559	1.5
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Feb 2007)		
BC	2.2	1.8
Vancouver	2.8	2.1
Victoria	1.8	1.6
Canada	2.0	1.9
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Feb '07	prev. month
Labour Force - BC	2,347	-0.2
Employed - BC	2,253	0.1
Unemployed - BC	95	-7.1
		Jan '07
Unemployment Rate - BC *(percent)*	4.0	4.3
Unemployment Rate - Canada *(percent)*	6.1	6.2
INTEREST RATES (percent)	Mar 21/07	Mar 22/06
Prime Business Rate	6.00	5.50
Conventional Mortgages - 1 year	6.40	6.05
- 5 year	6.49	6.45
US/CANADA EXCHANGE RATE	Mar 21/07	Mar 22/06
(avg. noon spot rate) Cdn $	1.1578	1.1653
US $ *(reciprocal of the closing rate)*	0.8654	0.8576
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Feb '07	one year ago
BC	743.33	3.7
Canada	733.94	2.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

High Technology Sector - 2006

The high technology sector is a growing part of British Columbia's diverse economy, offering the prospect of strong economic growth in the years to come as well as a local source of technology inputs to the province's resource-based industries.

Our latest *Profile* and *Input Indicators* reports were released on March 23rd.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp

Analytical Studies portal at www.statcan.ca

Statistics Canada has launched a new version of the Analytical Studies Portal, designed to facilitate access to studies on their website.

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Released this week by BC STATS

- Consumer Price Index, February 2007

Next week

- Business Indicators, March 2007
- Current Statistics, March 2007
- Migration Highlights, 4th Quarter 2006
- Immigration Highlights, 4th Quarter 2006
- Small Business Quarterly, 4th Quarter 2006

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